



## 97TH GENERAL ASSEMBLY

### State of Illinois

2011 and 2012

**HB5644**

Introduced 2/15/2012, by Rep. David R. Leitch

#### SYNOPSIS AS INTRODUCED:

40 ILCS 5/3-125  
40 ILCS 5/4-118

from Ch. 108 1/2, par. 3-125  
from Ch. 108 1/2, par. 4-118

Amends the Downstate Police and Downstate Firefighter Articles of the Illinois Pension Code. Authorizes the corporate authorities of a participating municipality to elect, by a duly authorized resolution or ordinance, to calculate actuarial liabilities using a 30-year rolling amortization period.

LRB097 20432 EFG 65921 b

FISCAL NOTE ACT  
MAY APPLY

PENSION IMPACT  
NOTE ACT MAY  
APPLY

1 AN ACT concerning public employee benefits.

2 **Be it enacted by the People of the State of Illinois,**  
3 **represented in the General Assembly:**

4 Section 5. The Illinois Pension Code is amended by changing  
5 Sections 3-125 and 4-118 as follows:

6 (40 ILCS 5/3-125) (from Ch. 108 1/2, par. 3-125)  
7 Sec. 3-125. Financing.

8 (a) The city council or the board of trustees of the  
9 municipality shall annually levy a tax upon all the taxable  
10 property of the municipality at the rate on the dollar which  
11 will produce an amount which, when added to the deductions from  
12 the salaries or wages of police officers, and revenues  
13 available from other sources, will equal a sum sufficient to  
14 meet the annual requirements of the police pension fund. The  
15 annual requirements to be provided by such tax levy are equal  
16 to (1) the normal cost of the pension fund for the year  
17 involved, plus (2) either (i) in the case of a participating  
18 municipality that has elected a 30-year rolling amortization  
19 period pursuant to subsection (f) of this Section, an amount  
20 sufficient to bring the total assets of the pension fund up to  
21 90% of the total actuarial liabilities of the pension fund  
22 within 30 years, as annually updated and determined by an  
23 enrolled actuary employed by the Illinois Department of

1 Insurance or by an enrolled actuary retained by the pension  
2 fund or the municipality, or (ii) in all other cases, an amount  
3 sufficient to bring the total assets of the pension fund up to  
4 90% of the total actuarial liabilities of the pension fund by  
5 the end of municipal fiscal year 2040, as annually updated and  
6 determined by an enrolled actuary employed by the Illinois  
7 Department of Insurance or by an enrolled actuary retained by  
8 the pension fund or the municipality. In making these  
9 determinations, the required minimum employer contribution  
10 shall be calculated each year as a level percentage of payroll  
11 ~~over the years remaining up to and including fiscal year 2040~~  
12 and shall be determined under the projected unit credit  
13 actuarial cost method. The tax shall be levied and collected in  
14 the same manner as the general taxes of the municipality, and  
15 in addition to all other taxes now or hereafter authorized to  
16 be levied upon all property within the municipality, and shall  
17 be in addition to the amount authorized to be levied for  
18 general purposes as provided by Section 8-3-1 of the Illinois  
19 Municipal Code, approved May 29, 1961, as amended. The tax  
20 shall be forwarded directly to the treasurer of the board  
21 within 30 business days after receipt by the county.

22 (b) For purposes of determining the required employer  
23 contribution to a pension fund, the value of the pension fund's  
24 assets shall be equal to the actuarial value of the pension  
25 fund's assets, which shall be calculated as follows:

26 (1) On March 30, 2011, the actuarial value of a pension

1 fund's assets shall be equal to the market value of the  
2 assets as of that date.

3 (2) In determining the actuarial value of the System's  
4 assets for fiscal years after March 30, 2011, any actuarial  
5 gains or losses from investment return incurred in a fiscal  
6 year shall be recognized in equal annual amounts over the  
7 5-year period following that fiscal year.

8 (c) If a participating municipality fails to transmit to  
9 the fund contributions required of it under this Article for  
10 more than 90 days after the payment of those contributions is  
11 due, the fund may, after giving notice to the municipality,  
12 certify to the State Comptroller the amounts of the delinquent  
13 payments, and the Comptroller must, beginning in fiscal year  
14 2016, deduct and deposit into the fund the certified amounts or  
15 a portion of those amounts from the following proportions of  
16 grants of State funds to the municipality:

17 (1) in fiscal year 2016, one-third of the total amount  
18 of any grants of State funds to the municipality;

19 (2) in fiscal year 2017, two-thirds of the total amount  
20 of any grants of State funds to the municipality; and

21 (3) in fiscal year 2018 and each fiscal year  
22 thereafter, the total amount of any grants of State funds  
23 to the municipality.

24 The State Comptroller may not deduct from any grants of  
25 State funds to the municipality more than the amount of  
26 delinquent payments certified to the State Comptroller by the

1 fund.

2 (d) The police pension fund shall consist of the following  
3 moneys which shall be set apart by the treasurer of the  
4 municipality:

5 (1) All moneys derived from the taxes levied hereunder;

6 (2) Contributions by police officers under Section  
7 3-125.1;

8 (3) All moneys accumulated by the municipality under  
9 any previous legislation establishing a fund for the  
10 benefit of disabled or retired police officers;

11 (4) Donations, gifts or other transfers authorized by  
12 this Article.

13 (e) The Commission on Government Forecasting and  
14 Accountability shall conduct a study of all funds established  
15 under this Article and shall report its findings to the General  
16 Assembly on or before January 1, 2013. To the fullest extent  
17 possible, the study shall include, but not be limited to, the  
18 following:

19 (1) fund balances;

20 (2) historical employer contribution rates for each  
21 fund;

22 (3) the actuarial formulas used as a basis for employer  
23 contributions, including the actual assumed rate of return  
24 for each year, for each fund;

25 (4) available contribution funding sources;

26 (5) the impact of any revenue limitations caused by

1 PTELL and employer home rule or non-home rule status; and

2 (6) existing statutory funding compliance procedures  
3 and funding enforcement mechanisms for all municipal  
4 pension funds.

5 (f) Beginning on the effective date of this amendatory Act  
6 of the 97th General Assembly, the corporate authorities of a  
7 participating municipality may, by a duly authorized  
8 resolution or ordinance, elect to use a 30-year rolling  
9 amortization period to calculate actuarial liabilities under  
10 subsection (a) of this Section.

11 (Source: P.A. 95-530, eff. 8-28-07; 96-1495, eff. 1-1-11.)

12 (40 ILCS 5/4-118) (from Ch. 108 1/2, par. 4-118)

13 Sec. 4-118. Financing.

14 (a) The city council or the board of trustees of the  
15 municipality shall annually levy a tax upon all the taxable  
16 property of the municipality at the rate on the dollar which  
17 will produce an amount which, when added to the deductions from  
18 the salaries or wages of firefighters and revenues available  
19 from other sources, will equal a sum sufficient to meet the  
20 annual actuarial requirements of the pension fund, as  
21 determined by an enrolled actuary employed by the Illinois  
22 Department of Insurance or by an enrolled actuary retained by  
23 the pension fund or municipality. For the purposes of this  
24 Section, the annual actuarial requirements of the pension fund  
25 are equal to (1) the normal cost of the pension fund, or 17.5%

1 of the salaries and wages to be paid to firefighters for the  
2 year involved, whichever is greater, plus (2) either (i) in the  
3 case of a participating municipality that has elected a 30-year  
4 rolling amortization period pursuant to subsection (h) of this  
5 Section, an amount sufficient to bring the total assets of the  
6 pension fund up to 90% of the total actuarial liabilities of  
7 the pension fund within 30 years, as annually updated and  
8 determined by an enrolled actuary employed by the Illinois  
9 Department of Insurance or by an enrolled actuary retained by  
10 the pension fund or the municipality, or (ii) in all other  
11 cases, an annual amount sufficient to bring the total assets of  
12 the pension fund up to 90% of the total actuarial liabilities  
13 of the pension fund by the end of municipal fiscal year 2040,  
14 as annually updated and determined by an enrolled actuary  
15 employed by the Illinois Department of Insurance or by an  
16 enrolled actuary retained by the pension fund or the  
17 municipality. In making these determinations, the required  
18 minimum employer contribution shall be calculated each year as  
19 a level percentage of payroll ~~over the years remaining up to~~  
20 ~~and including fiscal year 2040~~ and shall be determined under  
21 the projected unit credit actuarial cost method. The amount to  
22 be applied towards the amortization of the unfunded accrued  
23 liability in any year shall not be less than the annual amount  
24 required to amortize the unfunded accrued liability, including  
25 interest, as a level percentage of payroll over the number of  
26 years remaining in the ~~40-year~~ amortization period.

1 (a-5) For purposes of determining the required employer  
2 contribution to a pension fund, the value of the pension fund's  
3 assets shall be equal to the actuarial value of the pension  
4 fund's assets, which shall be calculated as follows:

5 (1) On March 30, 2011, the actuarial value of a pension  
6 fund's assets shall be equal to the market value of the  
7 assets as of that date.

8 (2) In determining the actuarial value of the pension  
9 fund's assets for fiscal years after March 30, 2011, any  
10 actuarial gains or losses from investment return incurred  
11 in a fiscal year shall be recognized in equal annual  
12 amounts over the 5-year period following that fiscal year.

13 (b) The tax shall be levied and collected in the same  
14 manner as the general taxes of the municipality, and shall be  
15 in addition to all other taxes now or hereafter authorized to  
16 be levied upon all property within the municipality, and in  
17 addition to the amount authorized to be levied for general  
18 purposes, under Section 8-3-1 of the Illinois Municipal Code or  
19 under Section 14 of the Fire Protection District Act. The tax  
20 shall be forwarded directly to the treasurer of the board  
21 within 30 business days of receipt by the county (or, in the  
22 case of amounts added to the tax levy under subsection (f),  
23 used by the municipality to pay the employer contributions  
24 required under subsection (b-1) of Section 15-155 of this  
25 Code).

26 (b-5) If a participating municipality fails to transmit to

1 the fund contributions required of it under this Article for  
2 more than 90 days after the payment of those contributions is  
3 due, the fund may, after giving notice to the municipality,  
4 certify to the State Comptroller the amounts of the delinquent  
5 payments, and the Comptroller must, beginning in fiscal year  
6 2016, deduct and deposit into the fund the certified amounts or  
7 a portion of those amounts from the following proportions of  
8 grants of State funds to the municipality:

9 (1) in fiscal year 2016, one-third of the total amount  
10 of any grants of State funds to the municipality;

11 (2) in fiscal year 2017, two-thirds of the total amount  
12 of any grants of State funds to the municipality; and

13 (3) in fiscal year 2018 and each fiscal year  
14 thereafter, the total amount of any grants of State funds  
15 to the municipality.

16 The State Comptroller may not deduct from any grants of  
17 State funds to the municipality more than the amount of  
18 delinquent payments certified to the State Comptroller by the  
19 fund.

20 (c) The board shall make available to the membership and  
21 the general public for inspection and copying at reasonable  
22 times the most recent Actuarial Valuation Balance Sheet and Tax  
23 Levy Requirement issued to the fund by the Department of  
24 Insurance.

25 (d) The firefighters' pension fund shall consist of the  
26 following moneys which shall be set apart by the treasurer of

1 the municipality: (1) all moneys derived from the taxes levied  
2 hereunder; (2) contributions by firefighters as provided under  
3 Section 4-118.1; (3) all rewards in money, fees, gifts, and  
4 emoluments that may be paid or given for or on account of  
5 extraordinary service by the fire department or any member  
6 thereof, except when allowed to be retained by competitive  
7 awards; and (4) any money, real estate or personal property  
8 received by the board.

9 (e) For the purposes of this Section, "enrolled actuary"  
10 means an actuary: (1) who is a member of the Society of  
11 Actuaries or the American Academy of Actuaries; and (2) who is  
12 enrolled under Subtitle C of Title III of the Employee  
13 Retirement Income Security Act of 1974, or who has been engaged  
14 in providing actuarial services to one or more public  
15 retirement systems for a period of at least 3 years as of July  
16 1, 1983.

17 (f) The corporate authorities of a municipality that  
18 employs a person who is described in subdivision (d) of Section  
19 4-106 may add to the tax levy otherwise provided for in this  
20 Section an amount equal to the projected cost of the employer  
21 contributions required to be paid by the municipality to the  
22 State Universities Retirement System under subsection (b-1) of  
23 Section 15-155 of this Code.

24 (g) The Commission on Government Forecasting and  
25 Accountability shall conduct a study of all funds established  
26 under this Article and shall report its findings to the General

1 Assembly on or before January 1, 2013. To the fullest extent  
2 possible, the study shall include, but not be limited to, the  
3 following:

4 (1) fund balances;

5 (2) historical employer contribution rates for each  
6 fund;

7 (3) the actuarial formulas used as a basis for employer  
8 contributions, including the actual assumed rate of return  
9 for each year, for each fund;

10 (4) available contribution funding sources;

11 (5) the impact of any revenue limitations caused by  
12 PTELL and employer home rule or non-home rule status; and

13 (6) existing statutory funding compliance procedures  
14 and funding enforcement mechanisms for all municipal  
15 pension funds.

16 (h) Beginning on the effective date of this amendatory Act  
17 of the 97th General Assembly, the corporate authorities of a  
18 participating municipality may, by a duly authorized  
19 resolution or ordinance, elect to use a 30-year rolling  
20 amortization period to calculate actuarial liabilities under  
21 subsection (a) of this Section.

22 (Source: P.A. 96-1495, eff. 1-1-11.)